



INSURANCE COMMISSIONER JOHN GARAMENDI RESPONDS TO LAWSUIT OVER RULING IN ANTHEM HOLDING CORPORATION'S PROPOSED MERGER WITH WELLPOINT HEALTH NETWORKS

August 3, 2004

"I welcome this lawsuit. This action will give me an opportunity to present the full story of how the merger of Anthem and WellPoint would be unfair, unreasonable, and prejudicial to California policyholders. My decision to deny Anthem Holding's acquisition of BC Life and Health Insurance Company was made solely in the interest of protecting health care consumers. As I have said repeatedly, nothing in this deal benefits California policyholders. It merely saddles them with the cost of the transaction. The merger, valued at \$15.5 billion, will require nearly \$4 billion in cash payments, resulting in \$3.4 billion in debt. Because dividends paid to the new WellPoint by its health care subsidiaries are the only source of funds to repay that debt, it is clear that businesses and individuals who purchase the new company's policies will be stuck with the bill.

In the suit, Anthem and WellPoint challenge my legal authority to reject this transaction. My authority is clear and it is broad. It is set forth in the Insurance Code, section 1215.2(d)(3) and (4), which provides that I may disapprove the transaction if I find that the financial condition of the acquiring company might prejudice the interests of policyholders, or if I find that the plans or proposals that the acquiring company has to liquidate the insurer, to sell its assets, to merge it with any other company, or to make any other major change in its business or corporate structure or management, are not fair and reasonable to policyholders.

I have found that this transaction would be prejudicial, unfair and unreasonable to the California policyholders, who would pay, in part, for the approximately \$3.4 billion in debt that WellPoint would carry after the merger. I have also found that this transaction would be prejudicial, unfair and unreasonable to the California policyholders who would pay, in part, for the \$200 million to \$600 million in compensation that would be given to executives. This transaction would be prejudicial, unfair and unreasonable to policyholders because the few benefits it would provide are far less than its costs.

Anthem and WellPoint argue that I have abused my discretion by making a decision to protect Californians. I welcome this suit, and look forward to the opportunity to present in court all of the facts and the reasons why this deal doesn't work for California policyholders."

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